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SIPDIS
SENSITIVE

STATE FOR WHA/CAR (ACADIEUX) (VDEPIRRO) (WSMITH)
WHA/EPSC (MROONEY) (FCORNEILLE)
EEB/ESC/IEC/EPC (MMcMANUS)
INR/RES (RWARNER)
SANTO DOMINGO FOR FCS AND FAS
TREASURY FOR ERIN NEPHEW

E.O. 12958: N/A
TAGS: [ENRG](#) [EAIR](#) [EINV](#) [ECON](#) [ETRD](#) [KCOR](#) [KIPR](#) [IADB](#) [IBRD](#) [IMF](#)
TRSY, XL, JM
SUBJECT: JAMAICA: NOVEMBER ECONOMIC REVIEW

REF: A) KINGSTON 1001
B) KINGSTON 770
C) KINGSTON 936

11. (SBU) SUMMARY:

- The Government of Jamaican (GOJ) announced a 29 percent drop in traditional export crops such as bananas, sugarcane and coffee in the third quarter.
- The GOJ has signed another agreement with Guyana to import 60,000 tons of rice in 2009.
- The GOJ has received funding from the IADB to help in its divestiture of Air Jamaica, which the GOJ maintains will be completed by March 31, despite the worsening global economic climate.
- Discount airline start-up Airone has yet to secure a license to operate in Jamaica.
- The Minister of Energy has fired Ian Moore, the Chairman of the Petroleum Corporation of Jamaica.
- The GOJ signed a USD 224 million deal with Royal Caribbean Cruise Lines to modernize the pier in the city of Falmouth on the North Coast.
- Leaders in the tourism sector are pressuring the GOJ for a financial bailout to help weather the decline in visitors to the island.
- Three major ratings agencies (S&P, Moody's and Fitch) have lowered their ratings for Jamaica in light of the challenging global economic situation.
- The Culture Minister, speaking at the funeral reception for famous Jamaican musician Alton Ellis, suggested extending the royalties period for artists from 50 years to 100 years after their deaths.
- Goodyear Tire may liquidate its operations in Jamaica after a shareholders' meeting on December 19; the company's products will continue to be sold on the island through a distribution partner.
- Rohan Barnett, a former Citigroup executive, is the new Director of the Financial Services Commission. END SUMMARY.

Agriculture

12. (U) In a meeting with the press on November 22, Wesley Hughes, the Director General of the Planning Institute of Jamaica (PIOJ), announced a 29 percent drop in traditional export crops (bananas, sugarcane and coffee) during the third quarter of 2008. Some of this decline was caused by Tropical Storm Gustav.

13. (U) The GOJ has signed another agreement with Guyana to import 60,000 tons of rice in 2009. The agreement calls for Guyana to supply Jamaica with an average 5,000 metric tons of rice per month at market prices starting on January 1 and continuing to the end of 2009. The agreement was signed in Georgetown, Guyana on November 7 by Minister of Commerce and Industry Karl Samuda and Guyana's Minister of Foreign Trade, Dr. Henry Jeffrey.

Aviation

14. (SBU) Don Wehby, Minister Without Portfolio in the Ministry of Finance, signed a USD 350,000 technical cooperation agreement with the Inter-American Development Bank (IDB) on November 26. The agreement is to further assist in the divestiture of Air Jamaica. The GOJ is holding firm to its proposed deadline of March 31 for selling the airline, despite a difficult global investment climate. (COMMENT: The GOJ and Air Jamaica representatives have said publicly that they do not have a "plan B" for the airline if it is not sold. Wehby who came into his position with an impressive reputation from the private sector, is putting his credibility on the line with the divestiture of Air Jamaica. He remains confident the airline will be sold even as world economic conditions worsen and potential investors become scarce. END COMMENT).

15. (U) AirOne Ventures Limited, a newly formed discount Caribbean

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airline, has expressed frustration publicly with the GOJ's unwillingness to approve a license to fly in and out of Jamaica. Wehby said the government is relying on advice from international consultants before making a decision on the license. Earlier in the year, the GOJ informed AirOne it could not obtain a license until the loss-making Air Jamaica is divested (reftel B). Speaking to reporters of the Observer newspaper on November 23, Commercial Director of AirOne, Tara Playfair, said she believes the airline is being treated unfairly. AirOne originally had hoped to operate out of Kingston as their hub, but moved its operations to Barbados when the GOJ refused to issue them a license.

Energy - Firing on PCJ board

16. (U) On November 11, Minister of Energy Clive Mullings announced he had fired Petroleum Corporation of Jamaica (PCJ) board chairman Ian Moore. Mullings was tight lipped about the reasons for the firing, saying he would make a public statement at a later date. In the last 13 months, the Jamaica Labor Party-led government has replaced the entire board of the Urban Development Corporation, significantly revised the board of Air Jamaica, and removed the heads of the National Health Fund and the Jamaica Information Service.

Tourism - Cruise Lines

17. (U) The GOJ Jamaica Information Service (JIS) announced on November 7 that Bruce Golding had signed a USD 224 million deal with Royal Caribbean Cruise Lines to modernize the pier in the city of Falmouth on the North Coast. Under the terms of the agreement, the GOJ will spend USD 122 million dredging the harbor and building the requisite facilities for cruise ships to dock. Royal Caribbean will spend USD 102 million to lease land from the GOJ and to develop the infrastructure. Golding said the project is part of his larger strategic plan to expand the tourism sector and develop the area around Falmouth. The project is expected to generate 700 construction jobs and should be completed by May 2010.

Tourism - Bailout Sought

¶8. (SBU) Representatives of the tourism sector are pressuring the GOJ for a financial bailout in light of the global financial crisis and the fear of decreases in the tourism sector. During a forum on November 19 at the Gleaner newspaper, Evelyn Smith, the general manager of Point Village Resort in Negril, said the sector needs easily accessible low-interest loans to help finance their operations during the current world crisis. President of the Jamaica Hotel and Tourist Association Wayne Cummings said he made a request to Prime Minister Golding for financial assistance, including a temporary waiver of General Consumption Tax (GCT). (COMMENT: The tourism sector already has received significant tax incentives from the GOJ, including 10-year tax free status for new hotels, which is often extended beyond the ten years; and reduced rates on GCT of 7.5 percent versus the regular 16.5 percent. END COMMENT). To help offset falling demand, the GOJ said it will spend USD 3 million on an aggressive overseas marketing campaign to encourage visits to the island.

Rating Agency Concerns

¶9. (U) Between October and November three major ratings institutions (S&P, Moody's and Fitch) have lowered their forecasts for Jamaica (reftel A). In November Moody's Investors Service placed Jamaica's ratings on review for downgrade as a result of the ongoing financial crisis and the pressure being exerted on the country's external and fiscal positions. Moody's announced that the "B1" foreign-currency and the "Ba2" local-currency government bond ratings, as well as the "B2" foreign-currency bank deposit ceiling, were all placed under review. Moody's said the current account deficit could reach 20 percent of GDP this year as the economic slowdown in Jamaica's key markets such as the United States worsens, likely lowering remittances and tourism inflows at the end of the year. This follows the decision by Standard and Poor's on October 21 to revise Jamaica's outlook to "Negative" from "Stable" (reftel C).

¶10. (U) Moody's decision comes 24 hours after Fitch downgraded Jamaica's sovereign rating and issued a negative outlook for the country. Fitch also announced it had revised its rating for National Commercial Bank (NCB) Jamaica's largest deposit taking

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institution. NCB's long term local and foreign currency issuer default ratings from lowered from B+ to B.

Intellectual Property

¶11. (U) The GOJ is considering amending the Copyright Act to lengthen the amount of time that royalties are paid on artistic works after the death of an artist. Culture Minister Olivia 'Babsy' Grange, speaking at the funeral reception for famous Jamaican musician Alton Ellis on November 4, said royalties are currently paid for up to 50 years after the death of an artist. She suggested extending the period to 100 years, so income from the works of artists could be used to assist their families after their deaths.

Foreign Investment

¶12. (SBU) Goodyear Tire company may liquidate its operations in Jamaica. Shareholders of Goodyear Jamaica Limited will meet on December 19 to vote on a resolution to "voluntarily wind up the company," if passed, the net proceeds of the liquidation will be distributed among shareholders. Goodyear Tire & Rubber Company owns 60 percent of the shares. The Jamaican subsidiary's has seen a decline in profits in recent years, falling from JD 73 million (USD 985,000) in 2005 to less than JD 14 million (USD 189,000) in 2007. In September Goodyear Jamaica signed a distribution agreement with Island Tropical Battery for its tires, which will continue to be sold on the island (reftel B).

Financial Regulation

¶13. (U) Rohan Barnett, a Jamaican-born American citizen and a former Citigroup executive, was selected to be the Director of the Financial Services Commission (FSC). Barnett is also an attorney licensed to practice in New York. He assumed his new position on December 1, a year after Bryan Wynter left the agency to take up a new job in Barbados.

JOHNSON